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GOVERNMENT AND ADMINISTRATION

Ministerial Changes

Following the resignation of the Secretary of State for Defence, the Rt Hon Michael Heseltine, MP, on 9 January, after disagreements with the Government over the reconstruction of the Westland helicopter company, a number of new ministerial appointments have been made.

Resignation of Defence Secretary

Throughout 1985 Westland plc, a British helicopter manufacturer and an important supplier to Britain's armed forces, experienced serious financial difficulties which reflected, in part, a world-wide slump in demand for civil helicopters. The company's precarious position was first brought to the Government's attention in late 1984 and during the early months of 1985 its difficulties were the subject of discussions at ministerial and official level. The Government's view, however, was that the company should seek a market solution to its difficulties. On 8 July 1985 the Minister of State for Industry and Information Technology, Mr Geoffrey Pattie, told the House of Commons that it was not for the Government to seek to intervene in the management of the company or to seek to influence the form the company's future should take (*Hansard*, Vol 82, No 151, cols 878-82).

Late in 1985 the company received two rescue proposals for its capital reconstruction, first from the United Technologies Corporation (UTC—the United States parent company of the Western world's leading helicopter manufacturer, Sikorsky) and Fiat of Italy, and later from a consortium of European manufacturers which included British Aerospace. In December Westland's future, including matters pertaining to the rescue proposals, was again discussed by ministers and on 16 December the Secretary of State for Trade and Industry, Mr Leon Brittan, speaking in the House of Commons (*Hansard*, Vol 89, No 29, cols 35-46), reaffirmed the Government's view that it was for Westland to decide how best to secure its future. He also stated that at no stage had the Government collectively determined on a preference for a particular solution. Following his resignation from the Government on 9 January, however, Mr Heseltine, who had worked to bring the European proposal forward, stated that the issues involved in the Westland situation had not been 'properly addressed' and that a collective decision on the European proposal had been denied him. The Government, he claimed, had not adopted an even-handed approach, but an attempt had been made to remove any obstacles to the UTC-Fiat offer.

In a debate in the House of Commons on 15 January (*Hansard*, Vol 189, No 36, cols 1084-168), the Prime Minister, Mrs Margaret Thatcher, said that the problems involved in Westland's future had been considered 'properly and responsibly' by the Government, its approach having been the subject of 'the most thorough collective consideration by ministers' with full weight being given to the defence implications involved. The Government had encouraged the Westland board to explore all possibilities for minority holdings, and, in line with its support for greater co-operation in European defence procurement, had been ready to encourage the possibility of a European solution. Throughout, however, it had affirmed that responsibility for the company's future had to remain in the hands of its directors and shareholders.

At a meeting of Westland shareholders in London on 17 January the UTC-Fiat proposal, recommended by the board of directors and the only proposal before the meeting, received less than the 75 per cent of the shareholder's votes required for its acceptance.

New Appointments

The new appointments to the Cabinet are as follows:

Secretary of State for Defence
Rt Hon George Younger, TD, MP (former Secretary of State for Scotland)

Secretary of State for Scotland
Rt Hon Malcolm Rifkind, MP (former Minister of State, Foreign and Commonwealth Office)

Mr Rifkind has been appointed to the Privy Council and becomes a member of the Cabinet.

The other appointments are:

Minister of State, Foreign and Commonwealth Office
Mrs Lynda Chalker, MP (former Minister of State, Department of Transport).

Minister of State, Department of Transport
Mr David Mitchell, MP (former Parliamentary Under-Secretary of State, Department of Transport).

The Cabinet

Following the new appointments, the composition of the Cabinet is as follows:

Prime Minister, First Lord of the Treasury and Minister for the Civil Service
Rt Hon Margaret Thatcher, FRS, MP

Lord President of the Council and Leader of the House of Lords
Rt Hon The Viscount Whitelaw, CH, MC

Lord Chancellor
Rt Hon The Lord Hailsham of Saint Marylebone, CH, FRS, DCL

Secretary of State for Foreign and Commonwealth Affairs and Minister of Overseas Development
Rt Hon Sir Geoffrey Howe, QC, MP

Secretary of State for Trade and Industry
Rt Hon Leon Brittan, QC, MP

Chancellor of the Exchequer
Rt Hon Nigel Lawson, MP

Secretary of State for the Home Department
Rt Hon Douglas Hurd, CBE, MP

Secretary of State for Education and Science
Rt Hon Sir Keith Joseph, Bt, MP

Secretary of State for Energy
Rt Hon Peter Walker, MBE, MP

Secretary of State for Defence
Rt Hon George Younger, TD, MP

Secretary of State for Scotland
Rt Hon Malcolm Rifkind, MP

Secretary of State for Wales
Rt Hon Nicholas Edwards, MP

Lord Privy Seal and Leader of the House of Commons
Rt Hon John Biffen, MP

Secretary of State for Social Services
Rt Hon Norman Fowler, MP

Chancellor of the Duchy of Lancaster
Rt Hon Norman Tebbit, MP

Secretary of State for Northern Ireland
Rt Hon Tom King, MP

Minister of Agriculture, Fisheries and Food
Rt Hon Michael Jopling, MP

Secretary of State for Transport
Rt Hon Nicholas Ridley, MP

Secretary of State for Employment
Rt Hon The Lord Young of Graffham

Secretary of State for the Environment
Rt Hon Kenneth Baker, MP

Paymaster General
Rt Hon Kenneth Clarke, QC, MP

Chief Secretary to the Treasury
Rt Hon John MacGregor, OBE, MP

Anglo-Irish Intergovernmental Conference

At the first meeting of the Anglo-Irish Intergovernmental Conference in December 1985 ways of improving security co-operation between the United Kingdom and Irish Governments and measures to improve relations between the security forces and the minority community in Northern Ireland were discussed. The 15 Unionist members of the United Kingdom Parliament have resigned in protest at the Anglo-Irish Agreement.

The first meeting of the Intergovernmental Conference set up under the Agreement signed between the United Kingdom and the Irish Republic in November (see pp 367-74, 1985) took place in Belfast on 11 December 1985. The meeting was under the joint chairmanship of the Secretary of State for Northern Ireland, Mr Tom King, and the Irish Minister for Foreign Affairs, Mr Peter Barry, who were accompanied by other ministers and officials. The Chief Constable of the Royal Ulster Constabulary and the Commissioner of the Irish Garda were also present.

The Conference reviewed recent events in Northern Ireland and the Republic and reaffirmed the total rejection by both Governments of any attempt to promote political objectives by violence. Security co-operation between the two Governments was discussed, with particular attention to ways of improving the co-ordination of security activities on both sides of the border. The Irish representatives stated that Garda resources had recently been increased in border areas and arrangements were being made for the deployment of task force units to supplement the work of locally-based personnel. This was welcomed by the British side.

The Conference discussed measures to improve relations between the security forces and the minority community in Northern Ireland and considered the steps being taken in applying the principle that the armed forces operate only in support of the police with the objective of ensuring that there is a police presence in operations which involve direct contact with the community. The Conference agreed that the Royal Ulster Constabulary and the armed forces must not only discharge their duties with equal respect for the unionist and nationalist identities and traditions but must be seen by both communities to be doing so. The Chief Constable said that he would introduce as soon as possible in 1986 a code of conduct which would cover these matters.

The Conference agreed to establish a working group of officials to consider the machinery for the further discussion of legal matters, including the administration of justice.

Two subsequent meetings in December and January discussed security co-operation, measures to improve public confidence in the legal system, arrangements for handling complaints against the police, the law on flags and emblems, the use of the Irish language in Northern Ireland and a hunger strike at the Maze prison in protest against convictions on the evidence of a convicted Irish National Liberation Army terrorist.

Resignation of Unionist MPs

The 15 Unionist members of the United Kingdom Parliament – 11 Official Unionists, 3 Democratic Unionists and 1 Ulster Popular Unionist - resigned their seats on 17 December in protest at the Agreement between the United Kingdom and the Irish Republic. They are all standing for re-election in by-elections to be held on 23 January. Unionists have also brought about the suspension of the Northern Ireland Assembly and many district councils.

In a speech to the London Diplomatic Association on 12 December Mr King said that the Agreement offered Unionists the opportunity to improve security co-operation with the Republic – which they had been pressing for over many years – and to get devolution going. Unionist leaders complained that the Government was not listening to their views; the Government wanted to hear Unionist views on all matters affecting Northern Ireland, including the matters discussed in the Intergovernmental Conference. The benefits of the

Agreement would take time to mature and men of violence on both sides of the community who thrived on tension and disharmony would seek to destabilise the situation. The Government was determined that they should not succeed and he was sure that this determination was shared by the overwhelming majority of people in Northern Ireland.

Police and Criminal Evidence Act 1984: Enforcement of Remaining Provisions

The remaining provisions of the Police and Criminal Evidence Act came into force on 1 January. They relate to the implementation of the four codes of practice on powers and procedures issued to the police, to the introduction of the 24-hour duty solicitor scheme at police stations and to the rules of criminal evidence.

The codes of practice issued under section 66 of the Police and Criminal Evidence Act 1984[1] (see pp 400-4, 1983, and 397-9, 1984), were approved by Parliament in December 1985 (*Hansard*, Vol 88, No 22, cols 484-521, and *HL*, Vol 469, No 17, cols 10-38). The four separate codes are concerned with:

1 The exercise by police officers of statutory powers of stop and search;

2 The searching of premises by police officers and the seizure of property found by police officers on people or premises;

3 The detention, treatment and questioning of people by police officers; and

4 The identification of people by police officers.

Drafted after extensive public consultation, these codes supersede certain existing provisions (including the Judges' Rules) as well as including wholly new material. They reflect the views of the Royal Commission on Criminal Procedure which reported in 1981 (see pp 29-31, 1981) and the philosophy of the Police and Criminal Evidence Act 1984 in providing for clear and workable guidelines for the police, balanced by safeguards for the public. The codes will be available at police stations for consultation by all interested persons. All police officers will be obliged to observe them and non-compliance will render an officer liable to disciplinary proceedings.

The 24-hour duty solicitor scheme ensures that people being questioned by the police can receive free legal advice at police stations from their own or a duty solicitor. In a statement on 2 January the Lord Chancellor, Lord Hailsham of Saint Marylebone, said that the scheme marked the most substantial development in legal services for many years and that no arrangements comparable in scope or comprehensiveness existed elsewhere in the world.

The rules of criminal evidence provide for the admissibility in court proceedings of microfilm copies and documentary and computer records.

[1] *Police and Criminal Evidence Act 1984 (s66): Codes of Practice.* HMSO, £3. ISBN 0 11 340624 X.

EXTERNAL AFFAIRS AND DEFENCE

European Council

A timetable for the completion of the European Community's common market in goods and services was agreed by the European Council at its meeting on 2 and 3 December 1985 in Luxembourg. Other agreements reached covered amendments to the Treaty of Rome regarding technology, the environment and the regional fund; improved consultation between the Council of Ministers and the European Parliament; and a separate treaty on political co-operation on foreign policy.

Prime Minister's Statement

Reporting to the House of Commons on 5 December (*Hansard*, Vol 88, No 22, cols 429-39), the Prime Minister, Mrs Margaret Thatcher, said that the European Council had agreed that the Community's internal market would be completed by 1992 and that this target would be established by treaty. There would be greater use of majority voting on a number of treaty articles dealing with goods and services, although unanimity would be retained for all decisions on taxation, the free movement of people and the rights and interests of employees. Britain would retain the right to take national action where required to protect public, animal and plant health, including frontier controls regarding terrorism, crime, drug trafficking and immigration from outside the Community, and essential health controls to prevent diseases such as rabies entering the country. The [1966] Luxembourg compromise, under which a member state could invoke a very important national interest to prevent a decision being taken, would be unaffected.

The Council had also agreed that the 1957 Treaty of Rome should be brought up to date by new articles on technology, the environment and the Community's regional fund. Action had hitherto been taken in these areas on the basis of a general article of the treaty and the new articles would provide a more precise basis for future policy. Unanimity would be preserved for all important decisions.

Referring to the European Parliament, the Prime Minister said that procedural changes had been agreed under which the Council of Ministers would improve its consultation regarding amendments to Community legislation suggested by the Parliament. Mrs Thatcher emphasised that in all cases the last word on such legislation would rest with the Council of Ministers.

On the issue of monetary co-operation, Mrs Thatcher said that a treaty amendment had been agreed describing what had been achieved by the Community without entering into new commitments.

The Prime Minister pointed out that the separate treaty on co-operation in foreign policy had been agreed on the basis of a draft presented by Britain (see pp 224-5, 1985) which would formalise existing arrangements for consultation among member states on foreign policy questions.

All these Council decisions remained subject to general reservations from Italy and Denmark, and the treaty amendments would go forward only if these reserves were lifted. Britain had reserved its position on the voting arrangements on a proposed new article on working conditions for employees, since it wanted unanimity to be preserved in this matter – in view of the risk that this article could be used to impose unfair burdens on small and medium-sized businesses.

Turning to other issues, Mrs Thatcher said that an earlier British initiative regarding Community regulations had been accepted by the European Commission responsible for drawing up proposals on Community legislation. The Commission had given undertakings that in future all new proposals would be accompanied by an assessment of their effects on business and job creation, that the most important existing regulations would be examined to simplify them and reduce the burden they imposed on industry, and that there would be a regular procedure for monitoring progress towards this objective.

Concluding, the Prime Minister pointed out that the treaty amendments had to be approved by each sovereign Parliament and would be submitted to the House of Commons. The completion of the common market and the reduction of regulations would benefit British firms selling their goods and services in the Community and, together with the recent arrangements to reduce the scale of Britain's budgetary contribution (see p 248, 1984), would be an important step towards enabling Britain to realise more fully the benefits of Community membership.

Foreign Ministers' Meeting

On 16 and 17 December 1985 Community foreign ministers met to clarify the texts agreed at the Luxembourg summit. Speaking at a press conference on 17 December, the Foreign and Commonwealth Secretary, Sir Geoffrey Howe, said that improvements had been made to the texts without altering their substance and that a framework had been agreed to preserve the judicial separation between the European Community treaties and the new political co-operation treaty on foreign policy.

North Atlantic Treaty Organisation

Member states of the North Atlantic Treaty Organisation (NATO) have welcomed the recent summit meeting between the leaders of the United States and the Soviet Union and have reaffirmed their policy of preserving peace through political solidarity and adequate military strength.

NORTH ATLANTIC COUNCIL

The following communiqué[1] (slightly abridged, with headings added) was issued by the North Atlantic Council after its meeting in Brussels on 12 and 13 December 1985.

East-West Relations

Encouraging developments have taken place in East-West relations since our meeting in Lisbon in June [see pp 226-7, 1985]. *They demonstrate the validity of our policy . . . of preserving peace in freedom through adequate military strength and political solidarity and, on that basis, pursuing a more stable and co-operative relationship between the countries of East and West.*

We welcome recent high-level East-West contacts, notably the meeting between President Reagan and General Secretary Gorbachev [see pp 376-7, 1985] *which marks an important step in our efforts to develop a realistic and constructive dialogue with the countries of the East. We hope that this will lead to improved relations, more extensive contacts, including regular high-level meetings, and broad co-operation on the full range of East-West questions. We shall all play our full part in making further progress. We call upon the Soviet Union and its allies to join us in this endeavour.*

Deterrence and the Alliance

Meanwhile, the continuing build-up of Soviet nuclear and conventional arms remains a major Allied concern. We do not seek military superiority. But we are determined to safeguard our security by maintaining adequate conventional and nuclear forces. Our strategy of deterrence has proved its worth in preserving peace, and remains fully valid.

The close and permanent link between North American and European Allies, which has kept the peace for 36 years, remains the basis of our collective security. Alliance cohesion will continue to be ensured through close consultations on all matters affecting our common interests and security. The value of these consultations has again been clearly demonstrated in recent months.

Arms Control

We are committed to substantive progress in arms control. This must be based on the criteria of strengthened stability, equitable and significant reductions, and effective verification.

We have reviewed the United States-Soviet negotiations in Geneva [see p 12, 1985] *on their strategic and intermediate-range nuclear weapons, and on defence and space systems. These aim to prevent an arms race in space and terminate it on earth, limit and reduce nuclear arms and strengthen strategic stability. We strongly support United States efforts in all three areas of negotiation. We welcome the agreement between President Reagan and General Secretary Gorbachev to accelerate work at Geneva, in particular in areas where there is common ground, including the principle of 50 per cent reductions in United States and Soviet nuclear arms, appropriately applied.*

The Allies concerned endorse the constructive proposals on United States and Soviet INF [intermediate nuclear forces] *systems recently tabled in Geneva by the United States, and support the idea of an interim agreement. They reiterate their willingness to modify, halt, reverse, or dispense with longer-range INF (LRINF) deployment as part of an equitable and verifiable arms control agreement. In the absence of such an agreement, they will continue to deploy LRINF missiles on schedule.*[1]

The Allies participating in the Vienna MBFR [Mutual and Balanced Force Reductions] *negotiations proposed on 5 December 1985 a verifiable agreement for United States-Soviet ground-force reductions, followed by a collective no-increase commitment of three years on United States and Soviet and NATO and Warsaw Pact forces. The proposal embodies associated measures which open the way to the establishment of reliable force levels and which are essential to verify compliance with the agreement's provisions. It responds to an earlier Eastern proposal and represents an imaginative attempt to break a long-standing deadlock.* [See p 376, footnote 2, 1985.]

We remain deeply concerned about the proliferation and use of chemical weapons. At the Geneva Conference on Disarmament we seek an effective and verifiable convention on a general and complete prohibition of such weapons and on the destruction of existing stockpiles [see pp 103-4, 1985]. *We strongly support the agreement between President Reagan and General Secretary Gorbachev to accelerate their efforts to this end.*

Confidence and Security

We call upon the Soviet and East European Governments to implement effectively all provisions of the Helsinki Final Act and the Madrid concluding document [see pp 324-8, 1983]. *We note with regret that the Ottawa meeting on human rights and the Budapest cultural forum, although useful in themselves, revealed persisting deficiencies in the implementation of these documents, and were unable to reach common conclusions.*

At the Stockholm Conference [on Confidence- and Security-building Measures and Disarmament in Europe], *an integral part of the CSCE* [Conference on Security and Co-operation in Europe] *process, we are actively working for early agreement consistent with the Madrid mandate. Such an agreement would embody a substantial set of militarily significant confidence- and security-building measures, covering the whole of Europe, and give concrete expression and effect to the existing duty of all participating states to refrain from the threat or use of force.* [See p 376, footnote 3, 1985.]

[1]As on previous occasions, Spain reserved its position on the communiqué.

[1]Denmark and Greece reserved their positions on the INF part of this paragraph.

All participating states reaffirmed their commitment to the Helsinki Final Act on its tenth anniversary [see pp 256-7, 1985]. *We seek to promote genuine and balanced progress in all its aspects, including those concerned with respect for human rights and the fundamental freedoms of the individual, and those relating to co-operation between states. We remain committed to meaningful results at the forthcoming Berne meeting on human contacts. The Vienna follow-up meeting* [in November 1986] *will review all aspects of the CSCE process.*

Berlin

The maintenance of a calm situation in and around Berlin, including freedom of access to the city, remains of fundamental importance for East-West relations. The strict observance and full implementation of the Quadripartite Agreement are essential to this end. In this connection, we support all efforts to promote the prosperity and viability of the city. We also support the efforts of the Federal Republic of Germany further to develop inner-German relations as a significant contribution to peace and to the well-being of the people of a divided Germany, particularly the Berliners.

Other International Problems

We urge the Soviet Union to end the unacceptable military occupation of Afghanistan, now approaching its seventh year, to withdraw its troops, and agree to a political solution restoring Afghanistan's independence and non-aligned status.

We emphasise the continuing need in Poland for genuine dialogue between the various elements of society and for national reconciliation.

We, for our part, respect the sovereignty and independence of all states. We will remain vigilant and will consult on events outside the treaty area which might threaten our common security.

We strongly condemn terrorism and will continue to work to eliminate this threat. We invite all states to join us in this resolve.

Defence Co-operation

We have examined ways of enhancing armaments co-operation among all the countries of the Alliance. This co-operation reflects our continuing concern for effective defence, particularly in the conventional field. In the light of our examination, we have decided to implement a strategy aimed at improving co-operation. This should give a fresh boost to the work being done in this field within the Alliance and lead in a short time to specific co-operative programmes encompassing both its European and North American members.

In the spirit of Article 2 of the North Atlantic Treaty, we reaffirm the importance of special programmes for less favoured partners and remain committed to promoting the stability and well-being of our community of free nations.

DEFENCE PLANNING COMMITTEE

Meeting on 3 December 1985 in Brussels, NATO's Defence Planning Committee welcomed the results of the Geneva summit meeting between the United States and the Soviet Union and expressed the hope that the meeting had laid the basis for better East-West relations. In their communiqué defence ministers welcomed the commitment of both sides to making early progress in the Geneva negotiations (see pp 12, 70-1, 1985) in areas where there was common ground, including the idea of an interim agreement on intermediate nuclear forces and the principle of a 50 per cent reduction in nuclear arms by the United States and the Soviet Union appropriately applied. Alliance solidarity and cohesion had played an important role in bringing these developments about and would remain equally vital for future progress.

Although nuclear weapons played an essential part in preventing war, the communiqué stressed that there was a need to avoid an undue reliance on their early use by improving NATO's conventional forces. This would require sustained commitment by all member states and current work included a comprehensive review of Alliance defence requirements designed to encourage a greater degree of convergence between NATO and national planning; a steady modernisation of forces; an increase in the number of hardened aircraft shelters and the doubling of the infrastructure budget; the acquisition of more ammunition stocks; and the continued exploitation of emerging technologies. If the objective of better conventional forces was to be achieved, there would need to be greater emphasis on more efficient use of resources, more arms co-operation and sharing of technology, and the continuing protection of militarily relevant technology. Ministers emphasised the importance of co-operation in research, development and production of armaments.

(Spain reserved its position on the communiqué).

NUCLEAR PLANNING GROUP

NATO's Nuclear Planning Group met in Brussels on 29 and 30 October 1985. In a communiqué, defence ministers expressed their continued support for the efforts of the United States and Britain in maintaining the credibility of their strategic nuclear deterrent forces which were 'the ultimate deterrent in preserving security, peace and freedom'.

Noting evidence supplied by the United States of violations by the Soviet Union of arms control treaties, ministers called on the Soviet leadership to take the necessary steps to assure full compliance with commitments. A double standard of compliance with arms control agreements was not acceptable and would undermine the Alliance's security. In this context they reaffirmed the need for effective verification of, and full compliance with, all arms control agreements.

Ministers expressed concern about the steady build-up of Soviet nuclear forces, including the testing and deployment of new strategic systems, the deployment of a new generation of air-launched cruise missiles, and the preparation of ground- and sea-based versions. The Soviet SS20 force had also increased to 441 launchers with 1,323 warheads. Alliance policy in comparison was to maintain only the minimum number of nuclear weapons for credible deterrence and its nuclear stockpile in Europe was being reduced, 1,000 warheads having been withdrawn with a further 1,400 to follow by the end of 1988.

The communiqué emphasised NATO's determination to continue the deployment of intermediate-range nuclear forces as scheduled (see pp 419-20, 1983), but reiterated its willingness to reverse, halt or modify the deployment, including the removal and

dismantling of missiles once a balanced equitable and verifiable agreement had been achieved.

(Greece expressed its views in a statement included in the minutes and Denmark reserved its position on the issue of intermediate nuclear forces.)

EUROGROUP

Defence ministers of the Eurogroup (Belgium, Britain, Denmark, the Federal Republic of Germany, Greece, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain and Turkey) also met in Brussels on 2 December 1985. In their communiqué, ministers reiterated their support for efforts being made to strengthen NATO's conventional defence and noted the real progress made during 1985, including the development by the Conference of National Armaments Directors (CNAD) of a strategy to enhance armaments co-operation within the Alliance, as well as the work of the Independent European Programme Group (IEPG)[1] regarding staff targets, the launch of the first of a series of co-operative technology projects and the start of a major study on ways of improving the competitiveness of European defence industry. Several new collaborative ventures had been started, notably the agreement of Britain, the Federal Republic of Germany, Italy and Spain to embark upon project definition for a European fighter aircraft for the 1990s. Ministers agreed to continue to give strong political support to this work, taking due account of the interests of nations with less developed defence industries. In addition, they welcomed the contribution made by Eurogroup sub-groups in bringing about practical co-operation in the fields of training, logistics, communications, operational concepts and military medicine; they also welcomed recent initiatives in the United States Congress to increase transatlantic armaments co-operation, and agreed that Europe ought to make a positive and constructive response.

Strategic Defence Initiative: British-United States Agreement on Research

On 6 December 1985 Britain and the United States signed a confidential memorandum of understanding regarding British participation in the United States' Strategic Defence Initiative research programme which is designed to eliminate the threat posed by nuclear-armed ballistic missiles by intercepting and destroying them in flight.

Giving details in the House of Commons on 9 December 1985 (*Hansard*, Vol 88, No 24, cols 623-4), the then Defence Secretary, Mr Michael Heseltine (see p 3), explained that the Government's attitude towards the Strategic Defence Initiative (SDI) was based on the four points agreed between both countries during the Prime Minister's visit to Washington in December 1984 (see pp 11-12, 1985). These were that the Western aim was not to achieve superiority but to maintain balance, taking account of Soviet developments; that SDI-related deployment would, in view of treaty obligations (see p 10), have to be a matter for negotiations; that the aim was to enhance and not to undermine deterrence; and that East-West negotiations should seek to achieve security with reduced levels of offensive weapons on both sides. It was in that context that the Prime Minister had told the United States President that the SDI research programme should go ahead as a prudent hedge against Soviet activities in the same field.

Mr Heseltine said that, after detailed discussion between Britain and the United States on the nature and scope of the research which could be undertaken by British firms and institutions, agreement had been reached on a programme of information exchange, on the areas where British expertise could form part of the SDI research programme, and on mechanisms to facilitate co-operation. The memorandum safeguarded British interests in relation to the ownership of intellectual property rights and technology transfer, and provided for consultative and review mechanisms in support of its aims. Britain's participation would enhance its ability to sustain an effective research capability in areas of high technology relevant to both defence and civil programmes. British companies, universities and research institutions would now have the opportunity to compete on a clearly defined basis for the research contracts on offer from the United States Government and this process would be assisted by the establishment within the Ministry of Defence of a SDI participation office which would consist of representatives from other interested government departments and which would work closely with British firms and institutions and liaise with a parallel office in the United States.

Responding to Opposition criticism that the research programme would escalate the arms race by initiating another quest for nuclear superiority and make the attainment of arms control agreements more difficult, Mr Heseltine referred to the undertaking of the United States President that the research would be within the terms of the 1972 Anti-Ballistic Missile (ABM) Treaty. He also pointed out that the Soviet Union had been working on almost all of the SDI technologies for many years (see p 10).

Background

In March 1983 the United States announced that it would embark on a programme of research into defences against ballistic missiles. This SDI programme is intended to provide the technical knowledge necessary for a decision on whether to develop and deploy advanced defences against such missiles; one concept being studied is that of a 'layered' defence which would use various technologies to destroy ballistic missiles or their warheads in different phases of their flight through space. In 1985 the United States invited Britain and the other members of the North Atlantic Treaty Organisation (NATO) to join in the project and in October the British and United States Governments agreed to an outline of an understanding on British participation in the programme. In addition, at the Geneva summit in November (see pp 376-8,

[1]The CNAD and the IEPG are the principal fora for promoting equipment co-operation among European allied countries.

1985), President Reagan promised the Soviet Union that, if United States research showed that a defence against ballistic missiles was possible, the United States would discuss with the Soviet Union to see how they could replace all strategic ballistic missiles with such a defensive system in space.

A paper released by the Ministry of Defence, dated 26 November 1985, indicates that the Soviet Union has research programmes underway designed to achieve a defence against ballistic missiles. These include research on high-energy lasers, particle-beam weapons, surveillance and target detection, pointing and tracking, and the development of a new and significant ability to transport into space the massive equipment required for a defence system deployed there. In addition, the Soviet Union has the world's only deployed anti-satellite system, a space-based orbital interceptor, though this has only limited capability.

The 1972 ABM Treaty prohibits the development, testing or deployment of those ABM systems or components that are space-, air- or sea-based or mobile land-based. It permits research but not field testing of a prototype ABM system or component. The treaty does, however, allow the United States and the Soviet Union to deploy one static ABM system with up to 100 launchers in defence of either an intercontinental ballistic missile silo field or the national capital city. The Soviet Union has the only ABM system in existence, deployed around Moscow; the United States deactivated its ABM system, installed at an intercontinental ballistic missile site, in 1975. Under the ABM Treaty the two parties are obliged to enter discussions aimed to limit ABM systems based on other physical principles and including components capable of being substituted for interceptor missiles, launchers or radars.

The United States and the Soviet Union are also signatories of the 1967 treaty on military activity in outer space; this states that outer space and celestial bodies, including the moon, are to be used exclusively for peaceful purposes and that the parties should not place nuclear or other weapons of mass destruction in orbit around the earth or otherwise station them in outer space or on celestial bodies. The treaty does not prohibit the passage through space of nuclear-armed ballistic missiles nor does it cover anti-satellite warfare.

Banking Supervision

Legislative proposals for the reform of Britain's system of supervising banks were published in a White Paper on 17 December 1985. Chief among them are: the creation within the Bank of England of a Board of Banking Supervision; the institution of criminal penalties for bankers who knowingly or recklessly mislead the supervisory authorities; and the encouragement of a two-way flow of communication between the supervisors and banks' auditors.

Introducing the proposals in a statement to the House of Commons on 17 December (*Hansard*, Vol 89, No 30, cols 157-8), the Chancellor of the Exchequer, Mr Nigel Lawson, said that the Government intended to introduce a new Banking Bill early in the 1986-87 session of Parliament. At present the Banking Act 1979 provides the statutory framework for the authorisation of deposit-taking businesses (excluding building societies and credit unions, which are covered by separate legislation). It is based (as is the proposed new legislation) on the principle of depositor protection. The system of supervision that it provides for is a flexible one, administered by the Bank of England, as Britain's central bank.[1]

The proposals in the White Paper[2] build on the findings of the review body set up a year earlier (see pp 19 and 238-9, 1985) in the wake of the collapse of Johnson Matthey Bankers. In a foreword to the White Paper Mr Lawson states that while the failure of this bank had been connected with a wholly atypical lapse in the Bank of England's system of supervision, there nevertheless remain weaknesses both in the implementation of banking supervision in Britain and in its statutory framework. 'The rapidly-developing nature of banks and the banking system makes it all the more important to address these weaknesses speedily and effectively, without at the same time hobbling British banks with excessive regulation.'

Summary of White Paper Proposals

Board of Banking Supervision

It is proposed to set up a new Board of Banking Supervision within the Bank of England to assist the Governor of the Bank in his supervisory duties. The Governor would be empowered to disregard the Board's advice, but if he were to do so he would have to inform the Chancellor of the Exchequer. The Board would be able to advise on four areas: broad issues of supervision of banks under the new banking supervisory legislation; the development and evolution of supervisory practice; the administration of the new supervisory legislation; and the structure, staffing and training of the Bank of England's Banking Supervision Division. (The White Paper notes that this division has been increased in size and altered in structure since the Johnson Matthey affair and that steps are being taken to improve the commercial banking and accountancy expertise of the staff.) Membership of the Board would be eight in number, comprising the Governor, Deputy Governor and Executive Director in charge of supervision, as the Bank of England's representatives; and five other members from outside the Bank selected, on the basis of relevant skills and experience, by the Governor with the agreement of the Chancellor of the Exchequer.

Role of Bank Auditors

It is proposed to provide for increased co-operation and discussion between supervisors and auditors of authorised institutions. Accountants would, for example, report to the supervisory authorities on the adequacy of banks' internal control systems; and statistical returns made by banks to their supervisors would be examined periodically by external accountants. Auditors would also notify the Bank of England if they decided to resign or not seek re-election as auditors of a bank, or if they concluded that they had to qualify their report on any bank's accounts. Banks similarly would notify the supervisors if they proposed to terminate the appointment of an auditor.

Supervisory Information and Statistics

Much statistical and other information is at present made available by banks to the supervisory authorities on a voluntary basis. The Government intends to make it a criminal offence knowingly or recklessly to provide information to the supervisors which is false or misleading to a significant degree. This would apply whether the information was provided under a statutory requirement or on a voluntary basis. Breaches of information requirements would be seen as a warning signal requiring close investigation by the supervisors.

Inspection

The Government has considered establishing a banking inspectorate such as exists in some other countries, but has decided that it would be more effective to strengthen the Bank of England's existing powers and resources. The frequency of supervisory visits by Bank

[1]For further information on Britain's banking system see COI reference pamphlet *Britain's Banking and Financial Institutions*, No 145/85.

[2]*Banking Supervision*. HM Treasury. Cmnd 9695. HMSO, £4·30. ISBN 0 10 196950 3.

staff is to be increased, both routinely and where there are grounds for concern.

Banks' Individual Commitments

Large commitments to individual non-bank borrowers have proved to be of particular importance in recent bank failures, the White Paper says. The Government therefore proposes to make it a statutory requirement for banks to notify all such exposures in excess of 10 per cent of their capital base; and all exposures in excess of 25 per cent would require prior notification.

Two-Tier System to be Abolished

Under the 1979 Act, authorisation of banks and supervisory powers relating to them are based on a distinction between recognised banks and licensed deposit-taking institutions. This is, in effect, a distinction between traditional, established, banks and newer so-called 'secondary' banks, a number of which collapsed in the mid-1970s. The 1979 Act provided for a more informal system of supervision for recognised banks than for the other institutions. The Government now proposes, however, that all authorised banking institutions should be subject to the same criteria for authorisation and to the same supervisory regime. It is also proposed to limit the use of names including the word 'bank' to institutions with not less than £5 million paid-up equity capital.

Definition of 'Deposit'

In order to ensure that the new legislation can be adapted to cope with changes in banks and banking techniques, the Government is proposing to give itself the power to permit amendment, by secondary legislation, of the definitions of 'deposit' and 'deposit-taking business'.

Banking and the Wider Economy

In his parliamentary statement Mr Lawson said he was conscious that banking supervision could no longer be considered in isolation. The Government was urgently considering the supervisory problems posed by the growth of financial conglomerates. It would be necessary for those who supervised banks to be able to exchange information with other supervisory authorities in other parts of the financial services industry. Legislation on the financial services industry as a whole (see pp 41-3, 1985) and on building societies (see below) would make that possible.

An effective system of banking supervision was essential not merely for the protection of depositors but for the financial health of the economy as a whole. Effective supervision was also a vital weapon in the fight against fraud, which the Government was determined to do all it could to combat. The proposals in the White Paper would help to create a comprehensive and effective statutory framework for the rapidly changing financial services sector in Britain.

Opposition Views

Both Mr Roy Hattersley, speaking for the official Opposition, and Mr Ian Wrigglesworth, for the Social Democratic Party, asked the Chancellor to reconsider his proposal to retain the Bank of England as the supervisory authority for the banking system. The appointment of an independent supervisory body would provide additional confidence in the supervisory system, they said.

In reply Mr Lawson said that the Johnson Matthey Bankers affair had represented a lapse, but a lapse from a very high standard of supervision which the Bank of England had provided over the years, a fact which was recognised throughout the world. It was true that some countries had a supervisory body which was independent of the central bank; but others did not. It was better to strengthen the Bank of England's authority than to have a tremendous upheaval which would neither be warranted nor fruitful.

Building Societies Bill

A Bill to widen the scope of activities that building societies are permitted to engage in has received an unopposed second reading in the House of Commons. The Bill also makes changes in the supervisory system for building societies and provides for the protection of members' interests in certain respects.

The building society movement in Britain comprises a unique set of financial institutions. They are savings institutions which make loans to people wishing to buy a home, and they are mutually owned by their investors. There were some 190 building societies in Britain in 1984, with 39 million share accounts, 1·3 million deposit accounts and 6·1 million borrowers. They account for much the greater portion of loans for house purchases in Britain, although the banks increased their share of this sector in the 1970s. The building societies have in recent years overtaken the banks as the principal repository for the personal sector's liquid assets. They are prevented from diversifying into other financial activities however, and, with the diversification of Britain's financial services, the Government has moved to alter this state of affairs.

Minister's Speech

Introducing the Bill, the Economic Secretary to the Treasury, Mr Ian Stewart, said that in today's fast-changing markets, the societies needed to be able to offer a wide range of facilities to an increasingly sophisticated public if they were going to continue to compete effectively. Allowing them more scope would not only achieve this but bring extra healthy competition into the housing and financial markets generally.

The Bill incorporated the result of discussions that the Government had held with numerous interested parties since the publication of its Green Paper in July 1984 (see pp 316-18, 1984). On some matters, however, the consultations had not been completed, Mr Stewart said, and the Government would be bringing forward a number of amendments during the Bill's progress through the House of Commons.

Although the Bill marked a fresh start in terms of legislation, its primary theme was based on continuity. The basic function of providing loans for house purchase from the savings of members would continue to form the core of building society business.

The new powers that societies would have were of two kinds: those that involved the balance sheet, in the form of new types of lending and other assets, and

those that involved the provision of new sorts of services.

Assets

Apart from fixed assets and liquid funds, the assets of building societies would be divided into three classes, Mr Stewart said. The value of assets held under each class would be subject to quantified limits, which could be slightly varied so as to allow for further evolution in the allocation of assets.

Class 1 assets would correspond to the existing mortgage business of the societies – loans secured on first mortgage of property for the borrower's residential use. Such loans account for about 99 per cent of building society lending at present. The requirement under the Bill that at least 90 per cent of a society's commercial assets should be within class 1 allowed ample scope for the development of further business.

Class 2 assets would consist of other lending secured on mortgage. Some such lending – to housing associations[1] or corporate bodies – was already open to societies. The Bill would extend it to lending on second mortgages. The new ability to participate fully in shared ownership schemes and the greater scope for index-linked lending under the Bill would enable societies to contribute more effectively to the development of new forms of housing finance.

Class 3 included assets such as the share capital of subsidiary or associate companies, lending without mortgage security and the ownership of residential land and buildings. The last of these represented an important extension of the capacity of societies to take a more active part in the provision and rehabilitation of housing and in projects involving housing associations and local authorities.

The new power to lend without mortgage security would enable people to borrow from their building societies for other purposes – to equip a new home, for example. It would also enable the societies to offer a more comprehensive banking service. There would be a limit of £5,000 on class 3 loans to any individual, and, because it was necessary to ensure that societies had sufficient depth of management to undertake class 3 lending or the ownership of land, these powers would be exercisable only by societies with at least £100 million of commercial assets.

Liquidity and Borrowing

The Bill provided that the proportion of total assets that might be held in liquid form should be limited to one third, in order to ensure that the balance sheet of a society reflected its principal purpose and that its capital should not be used to support the conduct of a money market business for its own sake.

For a similar reason a limit would be placed on the other side of the balance sheet, in respect of the proportion of liabilities that could be raised from wholesale sources [that is, from sources of large-scale loans, such as other financial institutions]. The 20 per cent limit on such funds should allow building societies adequate scope to increase their wholesale borrowing, while ensuring that they continued to raise money primarily from individual members.

[1]Housing associations provide accommodation for rent or sale for people who would otherwise look to a local authority for a home. They cater for the special needs of the elderly, disabled and single people as well as providing normal family housing.

New Services

In addition to more comprehensive money transmission and banking services, societies would be able to handle a wider range of insurance and investment matters. New opportunities would also become open to them in the housing market, to own estate agencies and to provide structural surveys as well as valuations. The existing prohibition on conveyancing would be lifted, subject to certain rules to be laid down by the Lord Chancellor's Office. The societies would also be able to engage in property management and to manage mortgages. They would no longer, furthermore, be prohibited from operating elsewhere in the European Community.

Supervision of Societies

Societies would be exposed to new risks under the provisions of the Bill, Mr Stewart said. While the prime responsibility for protecting their reputation for soundness would rest with the boards of the societies themselves, it was necessary to strengthen and modernise the arrangements for their prudential supervision. This was being carried out in a manner consonant with the Government's new framework for the supervision of financial services in general, as reflected in the White Paper on banking supervision (see p 11) and in the Financial Services Bill (published on 19 December 1985 – see also pp 41-3, 1985).

A Building Societies Commission would be established which would exercise and extend the supervisory functions at present carried out by the Chief Registrar of Friendly Societies. The Chief Registrar himself would become the first chairman of the new Commission, whose membership would include people with suitable experience outside the public service, and the supervisory staff would be strengthened. (The Registry of Friendly Societies would continue in being for its other existing purposes.)

The main power of the supervisor would rest in the granting and revocation of authorisation and in the imposition of conditions on such authorisation. The Bill sets out criteria for prudent management, against which the Commission would be able to measure the performance of a society's board. There would be statutory powers for the Commission to obtain from societies the information necessary for supervision. This would be treated as confidential and could be shared with other supervisory authorities only in strictly defined circumstances. It would be a criminal offence to provide false or misleading information to the supervisor.

New provisions relating to the preparation of building society accounts and to the duties of auditors were also included in the Bill. The auditors of a society would have to report to the Commission each year on whether the society had complied with statutory requirements for accounting and control systems. Such reports would be sent to the societies' boards in the first instance. Measures would also be introduced to permit dialogue between auditors and supervisors on a similar basis to that envisaged for the banking sector.

Protection of Investors

While effective management subject to appropriate supervision was the best means of providing for the integrity and soundness of societies, Mr Stewart went on, the Bill contained further measures to protect the

interests of investors and ensure that the societies gave a proper public account of themselves and competed fairly and openly in the market.

Directors would have to make full disclosure of any personal interest in the business of their societies and there would be new restrictions on loans to directors and their families, in line with rules already enacted for banks.

At present building societies enjoyed exemption from the Consumer Credit Act which regulates consumer credit and hire business. Under the Bill such exemption would be limited to first mortgage loans for the purchase, improvement or repair of property. (A similar provision for banks is to be enacted as soon as possible.)

Building societies would also be prohibited from making offers of mortgage conditional on the use of their other services, and cross-subsidisation of one service by another would be brought out into the open by a requirement to quote separate prices for each of them.

A statutory scheme would be introduced (similar to one applying to banks) requiring societies to operate a scheme to protect investors covering up to 75 per cent of the first £10,000 of any investment. At present such cover was provided by voluntary arrangements, but not all societies participated. It would be possible to provide protection at a higher level under voluntary arrangements.

The Bill also contained clauses to enhance the opportunities for member participation and to make the mutual system work more efficiently. The rights of members to vote on resolutions would be overhauled and the extent to which voting rights could be restricted would be limited. Election of directors by members would become mandatory, members wishing to stand for election would be able to circulate statements in support of their candidature and the rules for co-option and proxy voting would be tightened up.

In questions relating to mergers between societies and to their conversion into companies – matters which had attracted much comment, Mr Stewart noted – the Bill provided for increased participation by members before any such change could be implemented. In addition to the 75 per cent majority of investors voting, any proposal for merger or conversion would also require the approval of a majority of borrowing members voting, so as to protect the interests of those with mortgages. When a merger involved a society being absorbed in a much larger one, there would be a minimum vote required of 20 per cent of all of its members.

The members of a society would be enabled to incorporate it, if they so wished, and a consultation document on conversion procedures was being published along with the Bill. It was necessary, the Minister said, to prevent the movement of speculative funds from one society to another in search of easy profits, and to protect the rights of members in societies undergoing conversion without giving them an incentive to convert purely to capitalise on their stake in the reserves. During the first five years of a former society's existence as a company, no single shareholder would be able to hold more than 15 per cent of its capital.

These provisions should ensure that a society was converted into a company only if its members clearly wished it to evolve beyond the constraints of building society legislation, and that it would be able to convert in a manner which did not involve the surrendering of its independence.

In conclusion Mr Stewart said that the Bill would give the building societies important new opportunities to diversify while continuing their outstanding service to the community.

Gas Bill

The Gas Bill, which would provide for the privatisation of the British Gas Corporation (BGC) through the transfer of its assets to a new successor company and for the sale of its shares, has received a second reading in the House of Commons.

The Bill received its second reading in the House of Commons on 10 December 1985 (*Hansard*, Vol 88, No 25, cols 767-858) by 300 votes to 213. It provides for all the assets of the BGC to be transferred to a new public limited company, with provision for the sale of shares. The Bill would also establish an Office of Gas Supply, which would be a non-ministerial government department under a Director General of Gas Supply. The Office would regulate the supply and pricing of gas to 'tariff' customers (as opposed to customers who receive gas under contract) except in the industrial energy market.

Government View

Opening the debate, the Secretary of State for Energy, Mr Peter Walker, referred to the aims of the Government which in 1948 had nationalised the gas industry as part of a programme of nationalisation of the major energy industries. He said that this had not brought the ownership of these industries by the people, the employees or the customers, 'but direct ownership primarily in the hands of the politician and the civil servant'. For that reason, his view was that, 'rather than coming under the constant pressure of Whitehall and the current politician in charge', it was far better 'to ensure that commercial managers have charge of those industries'. The fundamental advantage offered by the Bill was that it would ensure that people employed in the industry, managers and customers, would be able to participate directly in the industry's success. Mr Walker said that it was difficult to argue that nationalisation had brought any great benefit to consumers. The Bill, however, would provide a form of price control and protection for the consumer; the Corporation would continue to be the main supplier of tariff customers throughout the country, and the Government had therefore included powerful safeguards to protect consumers against any abuse of that monopoly position.

In this context he noted that the new company would not have a monopoly of energy supplied as there was 'immense competition between gas, electricity, oil and coal in both the domestic and the industrial markets'. The Corporation would therefore need to maintain a competitive pricing policy. The overall level of price would be subject to a maximum set by means of a pricing formula in the licence, and price control would operate by controlling changes in tariff

prices and by reference to changes in the retail price index and gas costs.

The Government had also decided to set up a new consumer body, the Gas Users' Council, which would replace the National Gas Consumers' Council and regional gas consumers' councils. Its regional offices would be able to take up all the complaints of gas consumers, including those about appliances.

All the safety provisions which applied to the Corporation would be transferred to the new company, and the statutory obligations of the industry would be tightened up in a number of important areas. For example, the period of 24 hours within which the Corporation was required to deal with an escape of gas would be reduced to 12 hours.

Turning to the subject of the industrial energy market, Mr Walker said that the Corporation was in a highly competitive market, in which its competitors, the suppliers of fuel oil, gas oil, electricity and coal, accounted for 65 per cent. The Government had never intervened in the contract pricing arrangements of the Corporation, and, taking account of the views of the main industrial users, it had concluded that it was in the interests of greater competition and of industry for the market not to be regulated. The new company would offer two clear assurances to industry. It would, for three years after privatisation, hold contract prices to 'certainly not above and probably below' the rate of inflation, subject to there being no substantial and unforeseen changes in the exchange rates; and the company would not set prices in such a way as to restrict, distort or prevent competition. However, the Office of Fair Trading would be able to demand that the Corporation publish its maximum prices for contracts, and would also be able to take action through the Monopolies and Mergers Commission under existing trading and fair competition law. The Bill would provide other ways to improve competition. For the first time, the Office of Fair Trading would be able to demand that the Corporation publish its maximum prices for contracts, thereby making it possible to see to a greater extent than before the basis on which the prices were set. The Bill would also extend the possibility, first opened up by the Oil and Gas (Enterprise) Act 1982 (see pp 46-7, 1982), for private sector supplies to individual customers and for the use by third parties of the Corporation's supply system for deliveries to such customers. A new element would be a requirement for the Corporation to make back-up supplies of gas available for independent companies wishing to use this supply system.

Mr Walker hoped that the sale of shares in the new company would take place soon after Parliament had approved the legislation, and in a way that would allow the managers, employees and customers of the Corporation, as well as other people, to have real participation.

Opposition View

The chief Labour Party spokesman on energy, Mr Stanley Orme, said that the proposals in the Bill would result in the selling-off of a major public corporation which had shown 'superb public enterprise', and which was 'one of the great success stories of the past 20 years'. The Corporation's profits in 1984-85 had been £803 million, and more than £504 million had been paid to the Government through the gas levy. Mr Orme said that the Bill would establish a private monopoly that would operate in the fuel market both as a buyer and as a seller, and would not be accountable to Parliament. The Opposition supported the powers that were vested in the public corporation, but did not believe that these should be transferred to a privatised company. Mr Orme also said that a future Labour government would return the Corporation to public ownership.

For the Liberal Party, Mr Malcolm Bruce said that the Bill did not meet the justifications advanced for previous privatisation measures. After privatisation, the Corporation would remain 'a huge centralised monopoly', and it was difficult to see how it could be subjected to significant competition other than on the margins. Mr Bruce also said that he did not believe that the Government's proposals would provide adequate protection for the consumer.

Government Reply

In closing the debate, the Parliamentary Under-Secretary of State for Energy, Mr Alick Buchanan-Smith, rejected the suggestion that privatisation would lead to lower safety standards and said that in several respects safety provisions would be tightened up by the Bill. New arrangements and a new code of practice were being drawn up to promote better self-regulation. The standards governing the safety of appliances would continue to be the responsibility of the British Standards Institution, but a new bill to cover the safety of goods was being considered.

Mr Buchanan-Smith said that the Bill would give a privatised British gas industry 'the opportunity to be more efficient and to act commercially'. That opportunity would benefit consumers through better service, better prices and better safety, and there would also be an opportunity for wider share ownership.

Managing Waste: Royal Commission Report

The eleventh report of the Royal Commission on Environmental Pollution, published in December 1985, contains a detailed examination of the problem of pollution by wastes, including the problem of land contamination, and reviews the best practicable environmental options for handling and disposing of wastes in the future. Among the categories of waste covered are household, trades and industrial wastes, toxic and hazardous wastes, radioactive wastes and mining spoils.

Underlying the Commission's recommendations is the judgment that responsibility for ensuring that wastes are properly handled and disposed of must rest with the individual or organisation which produces the waste. The producer, the Commission states, incurs a 'duty of care' which is owed to society, and it would like this duty to be reflected in public attitudes and enshrined in legislation and codes of practice.

In preparing its report[1] the Commission viewed its task as to evaluate and respond to the main areas of

[1] *Managing Waste: The Duty of Care.* Cmnd 9675. HMSO, £12·50. ISBN 0 10 196750 0.

public concern about wastes and also to consider and report on reforms it believed to be desirable. The Commission invited detailed evidence on topics including surface disposal and landfill, deep burial, waste processing and storage, incineration, sea disposal, the recycling and transport of wastes, and land contamination; it also considered the economics of various options for the future.

Defining the boundaries of its investigation, the Commission recalls that many questions of river, marine and atmospheric pollution and the polluting effects of nuclear power and agriculture have already been considered in detail in several of its previous reports. The eleventh report is therefore primarily concerned with containable or packageable wastes, that is, wastes which are not disposed of by controlled emissions or discharges (as are bulk liquid effluents discharged to sewers and water courses or gases emitted to the atmosphere). Sludges and slurries are therefore included, as are containable liquids disposed of by other means. At the same time the Commission considers the wider question of selecting the best practicable environmental options for waste management and disposal, including options in relation to the form in which wastes are allowed to enter the environment (for instance, management decisions on whether waste from a particular process is to be disposed of in solid, liquid or gaseous form). However, it has excluded from its study the detailed techniques of sewage treatment; nor does it deal with discharges and emissions sufficiently diluted or dispersed to cause no pollution, for example the discharge of comminuted natural sewage through long sea outfalls, which its tenth report (see pp 94-9, 1984) endorsed as an environmentally acceptable method of disposal.

The Problem of Wastes

In being consigned to the environment, all forms of waste (and the activities associated with them) can be harmful or undesirable, as a hazard to human beings and other living organisms, as a detractor from amenity and recreation, and as a useless consumption of natural resources (the last point, however, falling outside the Commission's terms of reference). To prevent pollution from occurring there must be a secure 'waste stream'[1], achieved through what the Commission describes as a proper duty of care by producers, handlers and transporters of waste; and the ultimate means of disposal must be the best practicable environmental option.

Concerns about Wastes

The Commission sees the main areas of public concern as:

1 toxic wastes which have mutagenic, teratogenic or carcinogenic effects, or other latent, slow effects on health;

2 the tipping of hazardous wastes and the risk of acute poisoning to man and other living organisms;

3 the spread of toxic or noxious materials placed on the ground to gardens, homes, play areas and elsewhere;

4 irreversible damage to the environment by the irretrievable disposal of persistent substances to land or to the marine environment;

5 contamination of ground water;

6 the lowering of the amenity value of an area through the presence of wastes – especially litter, but also the noise, smell and other nuisances associated with waste collection and disposal; and

7 the apparent waste of resources which could be recovered from discarded materials.

The Commission has formed the impression that a greater public awareness of the general problems of waste disposal is spreading, partly as a result of the growing international exchange of ideas but also because, as environmental quality steadily improves, the public becomes less tolerant of the problems which remain. However, the report says that the existence of public concern does not necessarily mean that there is a real environmental hazard; a proper evaluation requires access to the relevant information. In this context the Commission reiterates the point made in its tenth report (see pp 94-9, 1984) that unnecessary secrecy or the failure to provide information in response to reasonable requests damages public confidence which it is then often expensive and time-consuming to restore.

Many of today's concerns, says the Commission, stem from advances in analytical chemistry which have enabled previously undetected substances to be measured at trace levels in the environment, coupled with heightened public awareness of the risks associated with new or exotic chemicals or with risks newly associated with substances which have been in use for some time. Recent concern, for example, has centred around the presence of the group of chemicals known as dioxins and furans as by-products of the accidental or deliberate incineration of certain chemicals (for example, the disaster at Seveso, Italy, in 1976 and the disposal by incineration of waste polychlorinated biphenyls (PCBs)) and as trace contaminants in certain agro-chemicals. While the Commission considers that the available evidence does not justify the current level of public concern, it nevertheless believes that it is right to err on the side of caution and endorses the need for further research into the toxicity of such chemicals and for visible improvements in the management of industrial and municipal incineration processes. Research into the possible long-term effects of dioxin contamination is already in hand following the Seveso disaster and the Commission recommends that the British Government should seek to ensure that the European Community gives the fullest possible support to this activity and to the proper dissemination of the results of the research.

Waste Controls

The handling of waste – largely a local government function – is regulated by a number of legislative provisions, including the Town and Country Planning Act 1971, the Control of Pollution Act 1974 (see pp 282-5, 1974), the Refuse Disposal (Amenity) Act 1978, the Food and Environment Protection Act 1985 (see p 81, 1985) and the Radioactive Substances Act 1960. Britain is also a signatory to various international conventions and is bound by certain European Community directives, the two most important of which –

[1]The waste stream is defined as 'the life history of an item of waste from the point at which it originates to the point at which it ceases to be waste or is finally disposed of'.

the 1975 Framework Directive on Waste and the 1978 Directive on Toxic and Dangerous Waste – were substantially based on the Control of Pollution Act 1974.

Noting that definitions of waste categories such as hazardous, difficult or toxic are problematical and can cause misconceptions on the part of the public, the Commission considers that the only useful dichotomy that can be made is the two-tier classification embodied in British legislation: that of 'controlled' wastes (all of which have the potential to cause environmental pollution) and their tightly defined sub-set of 'special' wastes (confined to wastes which pose danger to human life and health). Public and parliamentary discussion about hazardous wastes, says the report, has tended to lack precision and may have diverted attention from the need to ensure that *all* controlled wastes are handled in a careful and environmentally appropriate manner. In this context the Commission commends the guidelines on industrial waste management published by the European Council of Chemical Manufacturers' Federation as ground rules for sound waste management and recommends that the British Government should contribute to the setting and enforcement of standards to nationally acceptable levels.

An obvious way of controlling waste is to reduce it by using what is currently known as low and non-waste technology. The European Community's Third Action Programme – whose objectives the Commission commends – includes provisions for action to reduce pollution and nuisance at source where possible; action in waste management including treatment, recycling and re-use; and action in the development of clean technologies. For example, the potential environmental impact of a new product and its packaging should be assessed and taken into account at the design stage; in the particular case of drink cans, for instance, a change to all-aluminium cans would make recycling practicable.

Giving Waste Value

The Commission feels that opportunities for recycling and resource recovery from waste materials are not exploited as vigorously in Britain as they might be and that this is due at least in part to the absence of a clear lead from the Government. It views the designation in March 1985 of a Minister with special responsibility for waste recycling issues (see pp 168-9, 1985) as a useful though modest administrative measure whose effectiveness in relation to general environmental policy it is too early to determine.

The report commends recycling and resource recovery as a means of reducing pollution, including litter, although with this end in mind not all forms of recycling merit uncritical support. For instance, some wastes, when disposed of together, will react to produce less harmful forms of waste, which may be a more desirable option than attempting to recover resources from the separate waste streams in question. Furthermore, the segregation of clean materials for recycling once the waste streams have been combined presents problems. Except for ferrous and non-ferrous metals, the report says, mechanical sorting seems unable to achieve high-grade products and may be best suited to circumstances where the requirement is a source of energy rather than clean recyclable components. Such energy can be used directly to service district heating schemes or may be produced as waste-derived fuel (WDF) in pelletised or shredded form, which is more flexible in that it does not depend on tied customers and can be stockpiled. The Commission expresses concern, however, about possible polluting emissions from WDF combustion, where the high plastics content of the fuel makes emission of gases with high chlorine content or other toxic residues likely. It believes the suggestion that WDF could be burnt on any grate, and even in domestic fires, is extremely unwise and recommends that until more is known about emissions it should be burnt only in units where good control can achieve high temperatures, with good oxygen mixing and with sufficient residence times, conditions that would point, in its view, to exclusively industrial applications. Similarly, while the Commission welcomes initiatives that exploit effectively the methane gas recovered as a by-product from landfill sites, it considers that the first priority should be to deal with it as a hazard requiring proper control; its use as a resource is a bonus.

Continuing the theme of resource recovery, the Commission feels that further development should be encouraged of new technologies for energy recovery from used tyres and for the production of oil from wastes containing cellulose. Another valuable product recoverable from the municipal waste stream is compost; yet so far in England only one major composting plant (in Leicester) has been constructed, and this has since been closed down owing to difficulties in marketing the composted products. Since suitable materials for covering landfill sites or for other land reclamation purposes are often in short supply, the Commission feels there is scope for stimulating greater interest in these products.

While it acknowledges that the collection by local authorities of bottles, cans and other waste materials for recycling may be difficult to justify on grounds of economic efficiency, the report points out that this helps to create an attitude of mind that when waste is properly controlled and kept to a minimum the environment is less polluted; it also brings home to the individual the importance of his or her role in reducing pollution.

Collection, Storage and Transport of Wastes

Discussing various methods of municipal waste collection, street cleaning and litter abatement schemes, the Commission recommends that all waste collection authorities should adopt policies designed to achieve a secure waste stream and should provide appropriate training and supervision of their staff, with the Department of the Environment supplying appropriate guidance. If the practice of kerbside collection of plastic refuse bags cannot be phased out owing to local conditions – for instance in heavily populated urban areas – bags of adequate quality should be used; where possible, however, local authorities should adopt environmentally more acceptable and operationally more secure methods. Both the Department of Transport and the Department of the Environment should aim to provide or to encourage the provision of litter receptacles that can be emptied with sufficient frequency and consideration should be given to the provision of litter containers in cars. Noting the lack of litter bins on public transport, the Commission recommends that

the provision of such facilities that exists for long-distance rail travellers should be extended to provincial and suburban rail services. Local authorities should do their utmost to encourage market traders, takeaway food outlets and other establishments which generate litter to provide and, where appropriate, to service litter bins, and the international Tidyman symbol should be displayed more prominently on packaging and litter bins.

Expressing concern at the unsightly effect and possible health hazards arising from fly tipping (the illicit dumping of domestic or industrial wastes), a problem which is most acute in the metropolitan areas and particularly in Inner London, the report calls on local authorities to provide more information on rubbish disposal and to indicate, on litter bins and elsewhere, the location of the nearest amenity skips and sites, which should be open all day and especially at weekends. The procedure for dealing with abandoned vehicles is criticised as unnecessarily slow.

Investigation into methods of disposing of medical wastes has shown, the report says, that existing guidelines for the management of such wastes are often not precisely followed. The Commission recommends, among other things, that all regional health authorities should prepare and implement waste disposal plans that match the waste generated and the disposal facilities in their establishments; that publicity should be given to the guidelines and code of practice prepared by the Health and Safety Commission and the Department of the Environment on the disposal of clinical wastes so that community health care establishments are made aware of good practices which can then be enforced; and that publicity material should be made available to patients who may have to dispose of such wastes.

While the Commission endorses the storage of waste as an acceptable interim measure if well planned, well managed and undertaken for a specific purpose, it deplores storage which occurs by default or as a means of avoiding having to dispose of wastes in an acceptable manner – for instance, the accumulation of wastes on industrial premises, followed by their abandonment, so that the costs of final disposal have then to be borne by the local community through the waste disposal authority.

The producer's responsibility for ensuring that wastes are consigned to a proper disposal route applies as much to storage as to other aspects of waste handling. There is a need for good record-keeping so that the nature and extent of the waste and any associated hazard may be readily identified. The Commission recommends that the Control of Pollution (Special Waste) Regulations 1980 be amended to require waste producers to notify waste disposal authorities of all consignments of special waste to storage. Similarly, all waste transporters should be registered (as an addition to existing arrangements governing the transport of hazardous goods) and penalties for infringements of transport guidelines strengthened. The report recommends that any wastes that are hazardous must be assigned to an appropriate category of the relevant hazard code and appropriate safety information and training must be provided for all persons involved in their transport by road, rail or inland waterway.

Particular concern has continued to be caused by the transport of spent nuclear fuel by rail. The validity of a test carried out in 1984 (see pp 351-2, 1984), when an experimental rail crash was staged, has been widely accepted. However, despite the fact that the fuel flask was not breached, the Commission notes a report that very low-level contamination has been detected on both flasks and rolling stock used in the routine transport of spent nuclear fuel.

Discussing the problem of material either intentionally or accidentally released from ships at sea, the Commission expresses concern that between September 1982 and August 1983 some 254 packages from ships were washed up on to British shores containing, in 131 instances, materials listed in the International Maritime Dangerous Goods Code, and, in a further 122, some other substances of at least medium danger. Many were inadequately labelled, lacking either an appropriate hazard symbol or identification of their contents. The Commission recommends that the British shipping industry should lay renewed stress on the proper handling and security of packaged dangerous goods and that the Department of Transport should review the adequacy of the appropriate merchant shipping notices. It also recommends that the Government should work towards ratification of Annexes III and V of the MARPOL Convention (the International Convention for the Prevention of Pollution from Ships) at the earliest possible date, and towards ratification of Annexe IV. (Annexe III sets out regulations for the prevention of pollution by packaged harmful substances; Annexe V concerns the disposal overboard of domestic refuse; and Annexe IV concerns the discharge of sewage from ships.)

On the question of the import and export of wastes, the report states that the advantages of using a more appropriate disposal facility than the one available locally can justify international trade in waste, but wastes that are hazardous should not be exported without the prior informed consent of the receiving country.

Ultimate Disposal Routes

Landfill – the deposition of wastes *en masse* in or on the ground – is currently the most commonly used waste disposal route in Britain, and in most areas it is also the cheapest. Provided that normal good practices are followed, the Commission says it sees no technical reason why the finished level of a landfill site should not be substantially above the original ground level and recommends that planning and waste disposal authorities should always consider the possible advantages (more efficient use of land and even visual attraction if sensitively contoured) of permitting deposition to continue to above original ground levels. However, the report continues, reliance should never be placed on the long-term containment of leachate (liquors generated in landfills both as the degradation products of the wastes and through the percolation of rain, surface or ground water), which should be extracted and processed so that containment failure cannot lead to pollution of an aquifer. Similarly, all licences for new landfill sites should require provision for adequate control of methane gas both during and after deposition of wastes. Although methane is being exploited as an energy resource and thus eliminated as a pollution risk at a growing number of large landfill sites, this cannot be relied upon as a solution at all sites.

For any industrial wastes, properly managed co-disposal (the deposition together of different types of waste in a single site) is environmentally acceptable in containment sites. However, the Commission is concerned that inappropriate materials are sometimes co-disposed and that there is still some lack of knowledge about the processes involved and their long-term effects on the environment. In particular, it believes that alternative methods of disposing of acid tars should be encouraged; that for volatile and flammable organic liquids alternative disposal routes such as incineration should be used; and that drummed wastes should not normally be landfilled.

Incineration of municipal refuse is the primary treatment in Britain for some 10 per cent of total waste 'arisings'; residues from incineration consist of ash and non-combustible material – usually only 10 to 25 per cent of original volume – and normally go to landfill. However, the proportional decrease in the ash content and increase in the plastics and paper content of municipal refuse since the 1930s has raised its calorific value and encouraged some waste disposal authorities to recover and utilise the energy of the refuse, usually as hot water or steam, or as heat sources for district heating schemes or industry. Income from such uses can be offset against the high capital and running costs of incinerators. However, the report notes that emissions of certain gases during the incineration process are a cause of considerable concern, but the risk of emissions could be reduced to insignificant levels by operating incinerators with furnace temperatures in excess of 1000°C, and ensuring that an adequate air supply is always well mixed with the refuse. The Commission recommends that the Department of the Environment, which is already undertaking work in this field, establish an Incineration Practices Review Group, whose report would lead to the preparation of standards for the operation of incineration plants.

Regarding the incineration of toxic industrial waste (mainly from the chemical industry and within waste-producing plants), which should be high-temperature incineration followed when appropriate by removal of dust and washing the gaseous products, the Commission says it has evidence that chemical companies work closely with the management of any independent incinerators to which they consign waste in order to establish suitable conditions for combustion. However, it is concerned that there may soon be insufficient and inadequately distributed merchant incinerator capacity to burn all waste chemicals for which this is the preferred method of disposal, with the consequence that more will be consigned to less appropriate disposal such as landfill. While the Commission is satisfied that some of the merchant incinerators are capable of safely incinerating difficult materials such as PCBs, it takes the view that the most appropriate location for any additional incinerators, including those needed to burn toxic chemical waste arising in the hands of users of chemicals, would be within the chemical industry itself. This would be consistent with the duty of care it advocates in its report and could allay to some extent the fear and mistrust that it says is damaging economically important industries. However, where users of chemicals have the ability to operate detoxifying processes for their own waste this might still be the most appropriate option.

Incineration at sea, the report says, is, under the strict conditions prescribed, an acceptable option for some liquid wastes, provided that the critical incineration parameters are continuously measured and recorded and the records kept; but the situation needs to be kept under review in the light of continuing technical and economic development.

Straw Burning

The Commission notes that its recommendation, in its last report, that a legislative ban on straw burning should be introduced to take effect in five years' time (see p 96, 1984), has not yet been accepted, although new model by-laws for local authority implementation have been prepared and the National Farmers' Union Straw and Stubble Burning Code has been revised.

During 1985, the report says, the cereal-growing regions of eastern England continued to experience 'serious atmospheric pollution' as a result of straw burning, this sometimes being worse than would be tolerated in industrial regions. The Commission takes the view that this unacceptable and avoidable source of pollution should be eliminated as soon as possible. The development of alternative methods of straw disposal should be further encouraged by financial support from the Government for research and development, perhaps in the form of Department of Trade and Industry funding on a joint basis; and the Government should put forward these methods as eligible candidates for European Community grants. The Commission further recommends that its proposed legislative ban on straw burning should be extended to the burning of all field crop residues.

Sea Dumping

The Commission discussed the environmental aspects of disposing of industrial wastes in the North Sea and the Irish Sea, and the coastal deposition of mineral wastes, in its tenth report, so has not considered them in detail in the eleventh. The dumping of litter and refuse from ships is dealt with separately (see p 18). In the case of radioactive wastes, deposition at sea of British low-level and medium-level wastes was halted in April 1984 pending a scientific review of such dumping, and at the London Dumping Convention in September 1985 there was a large majority in favour of an indefinite moratorium on all dumping of radioactive waste at sea.

On the disposal of sewage sludge at sea – as distinct from the discharge of sewage to sea from outfalls at the shoreline, which it considered in its tenth report – the Commission notes that the main concern over its polluting effect (Britain uses about 16 offshore sites for dumping sewage sludge) arises from the concentration of toxic metals within the sludge, deriving largely from accepted industrial discharges to sewers. If it can be freed of this burden, sewage sludge is a natural organic manure and, in appropriate quantities, should have a beneficial effect on the productivity of marine habitats; the Commission notes that there is evidence of this occurring. It recommends that the water authorities should consult the relevant industries in their areas with a view to increasing the removal of metals from industrial discharges at source and thus reducing the metal content of sewage, and says that in view of the importance to Britain of international acceptance of economic methods of sludge disposal,

the Government should consider how it might further assist the reduction of the heavy metals load.

Deep Burial

Land-based deep burial of liquid or solid wastes can present a danger to the environment in the form of contamination of ground water, and the geology of much of Britain is such as to pose problems of ensuring the integrity of the disposal site. The Commission concludes that deep burial is, however, appropriate for the disposal of materials that have been immobilised and can safely be returned to the earth's crust, provided that details of such wastes are recorded on the Land Register in view of the possibility of future development of the burial site. The Commission also recommends that further research should be funded into the immobilisation of hazardous wastes.

Shorter Notes

CABLE AND WIRELESS

In December 1985 the Government sold its remaining stake in Cable and Wireless plc (which provides or manages a wide range of telecommunications activities, mainly overseas). Originally a semi-public body, from 1947 Cable and Wireless was publicly owned, with all its shares held by the Treasury. In 1981 when the Government sold just under half its shares (see pp 344-5, 1981), while in 1983 further shares were sold, reducing its holding to 23 per cent. The Government retains a special rights preference share, under which consent is required for certain actions of the company, such as major disposal of assets. The sale is part of the Government's privatisation programme (see pp 273-5, 1985) and is in line with selling government minority holdings in privatised companies as and when circumstances permit. The major features of the Government's privatisation programme in 1985-86, which has also included the second instalment of the British Telecom sale (see pp 453-4, 1984) and the disposal of the residual shareholdings in British Aerospace (see pp 163-4, 1985) and in Britoil (see p 200, 1985), have realised some £2,500 million.

The sale was a joint offer involving the disposal of the Government's remaining 102·5 million shares and the issue by Cable and Wireless of 43·6 million new shares, while the company also issued 12·8 million new shares in Japan and Canada. All of the offered shares were underwritten, with 48·8 million shares being made available for sale to the public and to the company's employees and pensioners. About 220,000 applications were received for a total of over 100 million shares. In accordance with the Government's policy of encouraging wider share ownership, all applications from the public for 200 shares or fewer were met in full. Company employees and pensioners also had their applications met in full, while other members of the public received an allocation depending on the number applied for, with applicants for 1,100 or more shares being allocated 30 per cent of shares applied for. The proceeds from the sale were £933 million, of which £602 million went to the Government and £331 million to Cable and Wireless.

Sources: *Hansard*, Vol 88, No 21, written answers, col 175; *Hansard*, Vol 88, No 28, written answers, col 770.

MACROBERT AWARD

The MacRobert Award for 1985 has been won jointly by Rolls Royce for the development of a system for the high-energy X-ray examination of gas turbines during dynamic testing and the National Institute of Agricultural Engineering for the development of forage-conditioning machinery. The MacRobert Award is the major award for engineering in Britain and is made by the Fellowship of Engineering (see p 132, 1976) for successful technological innovation which has contributed or will contribute to national prestige and prosperity. The award is made annually and the winners each received a gold medal and shared a cash prize of £25,000.

The high-energy X-ray system developed by Rolls Royce makes it possible to obtain images of the moving parts of a gas turbine running on test through the opaque metal walls of the casings and thus to make necessary measurements. Savings are made in the development time and costs of new engines while reliability and efficiency are improved. The system has been used on 26 Rolls Royce projects to date, involving the analysis of 39,000 radiographs and 50 X-ray television inspections. It has commercial potential in other fields, for example in the rapid inspection of sealed cargo containers.

The equipment developed by the National Institute of Agricultural Engineering has enabled improvements of 50 to 100 per cent to be made in the drying rate of forage grass. The conservation and storage of forage for winter feeding to livestock are vital aspects of milk and meat production. Research at the Institute showed that existing mechanical conditioning methods, involving flailing, crushing or crimping during cutting, were unnecessarily severe on the crop. The Institute developed several arrangements of impact-protected rotors, using steel spikes and plastic elements for scuffing and spiking the crop. These disrupt the waxy surface layer which is the main barrier to drying, but cause less unnecessary damage than other methods. To date 54,000 mower-conditioner systems using technology on which the Institute holds a patent have been sold internationally. The total value of this equipment was £143 million and patent licence revenue of the British Technology Group (see pp 457-8, 1984) had reached £425,000 by June 1985. In Britain almost one-third of forage mowers sold are fitted with conditioners, the majority of which are based on the technology developed by the Institute.

Source: Fellowship of Engineering press notice, 26.11.85.

SOCIAL AND CULTURAL AFFAIRS

General Household Survey

Among the main long-term changes shown by the General Household Survey for 1983 are a significant rise in owner-occupation by households, increasing use of contraception, and growing adult participation in sport and physical activities.

The General Household Survey,[1] which has been carried out annually by the Office of Population Censuses and Surveys since 1971, is a continuous survey based on interviews with a sample of about 20,000 adults living in private households in England, Scotland and Wales. In the five main subject areas (population, housing, employment, education and health) the survey has followed a policy which aims to balance continuity and flexibility of questionnaire content, so as to enable it to meet both the demand for key data over time and the changing needs of government departments. Certain subjects – for example, leisure activities – are covered periodically by the survey. New sections in the 1983 survey include contraception, sterilisation and infertility; sources of mortgages; occupational pension scheme membership; trade union membership; and dental health.

Household Size and Housing

One of the main changes in household characteristics since the start of the survey has been the gradual reduction in household size, mainly as a result of the increase in the proportion of one-person households and a decrease in the proportion of large households containing five or more people. The average household size fell from 2·91 persons in 1971 to 2·64 in 1982, but there was no further change in 1983.

Results from the 1983 survey show a continuation of the two main changes in the patterns of tenure: a growth in owner-occupation and a corresponding decline in private renting, particularly of unfurnished accommodation. By 1983 some 57 per cent of households were owner-occupied, compared with 49 per cent in 1971, while households with private tenancies had fallen to 7 per cent, as against 15 per cent in 1971.

Many owner-occupiers buy their accommodation with the help of a mortgage; 77 per cent of mortgages were obtained from building societies in 1983 and 11 per cent from local authorities. The proportion of mortgages financed by banks rose from 4 per cent in 1980 to 8 per cent in 1983. Of those households which had moved into the accommodation within the previous 12 months, 23 per cent had obtained a mortgage financed by a bank, compared with 72 per cent who had building society mortgages and only 1 per cent who had local authority mortgages.

Consumer Durables, Central Heating and Gas

The availability of consumer durables continued to increase; for example, between 1982 and 1983 the proportion of households with colour television rose from 77 to 81 per cent, with central heating from 60 to 64 per cent, with deep freezers from 51 to 57 per cent, and with telephones from 76 to 77 per cent. The proportion of households with a car or van available for private motoring increased from 53 per cent in 1971 to 59 per cent in 1983. While the proportion with one car or van remained roughly unchanged, at around 43 to 44 per cent, the proportion with two cars or vans rose from 8 per cent in 1971 to 14 per cent in 1983, and the proportion with three or more cars or vans trebled to 3 per cent in 1983.

Contraception, Sterilisation and Infertility

In 1983, 75 per cent of all women aged 18 to 44 were using some form of contraception, including sterilisation. The most popular method was the oral contraceptive, which was used by 28 per cent of women in this age group, while 22 per cent were sterilised or were living with partners who were sterilised, and for 13 per cent the condom was the usual method.

Use of contraception within this group increased with age, with 50 per cent of women aged 18 and 19, and 82 per cent of women aged 35 to 39, using some form of contraception. In the 40 to 44 age group 76 per cent used contraceptives. Use of oral contraceptives decreased with age. Sterilisation followed the opposite pattern; 44 per cent of women aged 35 to 44 were sterilised, but a very low proportion of women aged under 30 were sterilised or had partners who were sterilised. Sterilisation of women or their partners was also more likely the more children the woman had already had.

The report compares the 1983 survey data with that from three surveys carried out during the 1970s. The proportion of married or formerly married women aged 16 to 39 using some method of contraception rose from 75 per cent in 1970 to 81 per cent in 1983. The proportion using oral contraceptives rose from 19 per cent in 1970 to 32 per cent in 1976, but fell to 29 per cent in 1983, while the proportion sterilised or with a sterilised partner rose from 4 per cent in 1970 to 24 per cent in 1983.

[1] *General Household Survey 1983.* HMSO, £13·70. ISBN 0 11 691158 1.

Participation in Sports

Participation in sports, games and other physical activities increased slightly compared with 1977, when 28 per cent of adults had taken part in outdoor sport, and 21 per cent in indoor sport; in 1983 the comparable figures were 31 and 25 per cent respectively. Overall, 44 per cent of adults took part in at least one such activity in a four-week period. Participation in outdoor sports was highest in the summer months; 41 per cent of adults interviewed in the third quarter of 1983 reported taking part in some outdoor physical activity during the previous four weeks. The most common outdoor activity was walking, defined as a walk of at least 2 miles (3·2 km); 19 per cent of adults had been for a walk of this length in the four weeks before the interview. Other outdoor activities mentioned most frequently included swimming, football, golf, athletics and fishing. The indoor sports mentioned most frequently were snooker, billiards or pool, indoor swimming, darts, keep fit exercises or yoga, squash and badminton.

Overall, men were more likely than women to take part in sporting or other physical activities; 54 per cent of men but only 35 per cent of women had taken part in at least one activity during the four weeks before they were interviewed. Men and women tended to be attracted to different activities, although walking was the most popular activity for both. For men, the most popular activities after walking were snooker and darts, while for women indoor and outdoor swimming were most popular. Fishing, football, squash and golf were relatively popular male activities with few female participants, but women were more likely than men to do keep fit exercises or yoga.

People in the non-manual socio-economic groups tended to have higher participation rates than those in the manual groups, with people in the professional group having the highest rates overall, and the highest rates for many, although not all, of the individual sports.

Dental Health

Questions on dental health were included in the survey in 1983 for the first time, although these were identical to questions asked in other surveys carried out in England, Wales and Scotland during the 1960s and 1970s.

The 1983 survey found that 26 per cent of adults (30 per cent of women and 21 per cent of men) had lost all their natural teeth. This proportion rose steeply with age, from fewer than 0·5 per cent of the under 25 age group to 82 per cent of those aged 75 or over. Levels of total tooth loss in different socio-economic groups ranged from 8 per cent in the professional group to 44 per cent in the unskilled group. There were also regional variations, with total tooth loss being more common in Scotland, Wales and the northern parts of England than in other regions and least common in the South West, London and in the remainder of the South East.

In England and Wales the proportion of people with no natural teeth fell from 37 per cent in 1968 to 29 per cent in 1978 and 25 per cent in 1983. The improvement occurred in all age groups over 24 but was particularly marked in the 55 to 64 age group. There was a parallel improvement in Scotland, where the proportion of people without teeth fell from 44 per cent in 1972 to 39 per cent in 1978 and 36 per cent in 1983. As in England and Wales, there was some improvement in all age groups but especially in the 45 to 54 and 55 to 64 age groups.

The survey also showed that while the proportions of people with no teeth were decreasing, regular dental attendance among those who had natural teeth was increasing. In England and Wales the proportion of people with natural teeth who had regular dental check-ups rose from 40 per cent in 1968 to 44 per cent in 1978 and 48 per cent in 1983. In Scotland the proportion rose from 33 per cent in 1972 to 38 per cent in 1978 and 44 per cent in 1983.

Membership of Occupational Pension Schemes

In 1975, 63 per cent of male full-time employees but only 47 per cent of female full-time employees belonged to occupational pension schemes run by their employers. Among men the proportion rose to 68 per cent in 1979 but had fallen slightly, to 66 per cent, by 1983. Among women the proportion rose more steeply, to 55 per cent by 1979, and remained at that level in 1983. There was little difference between the proportions of men and women in the under-35 age group who were pension scheme members, but in the older age groups men were much more likely to be members.

Pension scheme membership was much higher among people in non-manual occupations than among manual workers. In 1983 membership was highest (among male full-time employees), at 89 per cent, in the intermediate non-manual group (for example, teachers, nurses, librarians and laboratory technicians), and lowest, at 51 per cent, in the unskilled manual group. Among female full-time employees, 79 per cent of intermediate non-manual workers, but only 35 per cent of skilled manual workers, belonged to pension schemes.

Part-time workers were much less likely to be members of pension schemes. In 1983, only 22 per cent of male and 13 per cent of female part-time employees belonged to such schemes.

Trade Union Membership

In 1983, 57 per cent of male and 50 per cent of female full-time employees belonged to a trade union or staff association. Membership of trade unions increased with age, from 21 per cent of male and 24 per cent of female, full-time employees in the 16 to 19 age group to 67 per cent of male, and 58 per cent of female, full-time employees in the 45 to 64 age group.

Trade union membership was highest in the intermediate non-manual group, in which 69 per cent of male, and 65 per cent of female, full-time employees belonged to a union. Membership was almost as high among male full-time employees in the skilled and semi-skilled manual groups and among female full-time employees in the skilled manual group.

In the public sector 85 per cent of male, and 78 per cent of female, full-time employees belonged to a trade union, while in the private sector 43 per cent of male, and 34 per cent of female, full-time employees were trade union members. Among private sector, but not public sector, employees, trade union membership increased sharply with the size of the establishment.

Reform of Social Security

Wide-ranging reforms in the structure of Britain's social security system were announced by the Government in a White Paper published in December 1985. The main aim of the reforms, drawn up in view of the increasing cost and complexity of social security, is to create a simpler system providing a better service to the public and capable of meeting genuine need. The main proposals include the modification of the State Earnings-related Pension Scheme and the encouragement of private and occupational pensions; the introduction of a new system of income-related benefits to replace family income supplement, supplementary benefit and housing benefit; and the creation of other new benefits to provide extra help at times of special need.

The publication of the White Paper[1] follows a period of consultation after the publication in June of a Green Paper containing proposals for far-reaching reforms in the structure of the social security system (see pp 205-7, 1985). Some amendments have been made to the original proposals, including the retention and modification, rather than abolition, of the State Earnings-related Pension Scheme in order to reduce its long-term cost, and an alteration in the timing of most benefit changes, which will not now take place until April 1988, in order to allow employers and local authorities time to make preparations. Certain changes, however, will be introduced in April 1987. Reform of the benefit structure will be accompanied by the modernisation of the system through a programme of computerisation, which is the largest of its kind in Western Europe and will substantially improve the administration of the system.

Secretary of State's Statement

Introducing the White Paper in a statement to the House of Commons on 16 December 1985 (*Hansard*, Vol 89, No 29, cols 21-5), the Secretary of State for Social Services, Mr Norman Fowler, said that the Government had four main aims: a simpler social security system; more people looking forward to greater independence in retirement; a financially secure system; and more effective help for those who needed it most. By common consent, the present system was too complex, involving some 30 benefits, each with separate and frequently conflicting rules of entitlement; supplementary benefit alone required almost 40,000 staff to administer it. Only half the workforce currently had occupational pensions of their own and more than half of those living on the lowest incomes were families with children. In addition, people could still find themselves with less income in work than if they were unemployed and others could find that a pay rise in work could make them worse off. The Government believed that urgent action was necessary to tackle these problems.

[1] *Reform of Social Security: Programme for Action.* Cmnd 9691. HMSO, £5. ISBN 0 10 196910 4. For information on the present system see COI reference pamphlet *Social Welfare in Britain*, No 70/85; details of current benefit rates are given on pp 241-3, 1985.

Help for Families

One of the major priorities of the proposals was to make better provision for low-income working families with children, Mr Fowler said. Accordingly, the Government proposed to introduce a new benefit, to be called family credit, to replace the existing family income supplement. This was designed to ensure that families with children would be better off in work and would be based on take-home or net pay – rather than gross earnings, as with family income supplement – so that the worst effects of the poverty trap would be eliminated. The new scheme was expected to provide support to an extra 200,000 families not covered by family income supplement, so that twice as many low-income families with children would benefit.

Mr Fowler emphasised that although family credit would be paid through the pay-packet it would be additional to child benefit, which would still be given directly to mothers.

Extra support to families who were not in work would be achieved through the new income-support scheme, which would replace supplementary benefit. A family premium – a special higher level of benefit – would be paid on top of the basic income-support rate and on top of the rates for individual children. The regular extra payments of supplementary benefit [for heating, for example] made on the basis of detailed individual assessment would be absorbed into the main rates of benefit. There would also be an additional premium for single parents and premiums for pensioners and the long-term sick and disabled. At the same time, the capital rule [which states that claimants with savings of £3,000 are not entitled to supplementary benefit] would be substantially eased, as would the earnings rules for single parents, disabled people and long-term unemployed families [which specify the amount of money which these groups may earn without affecting their entitlement to benefit].

While the broad pattern of income support would remain as set out in the Green Paper, Mr Fowler continued, some proposals had been modified in the light of consultations in two significant ways.

First, although the income-support rate would still be based on age divisions at 18 and 25 for single people, in order to help young families with children in particular, all couples over 18 would receive the same rate. Second, help for families with more than one disabled child would be increased. Whereas the Green Paper had proposed a double family premium where there was one or more disabled child, it had now been decided to pay the extra premium for each disabled child in a household, a change which would reinforce the special attention given in the proposals to disabled people on low incomes, who would benefit significantly from the premium in income support and from a higher earnings disregard (increased to £15 a week).

Social Fund

However well designed the income-support scheme might be, Mr Fowler said, it could not anticipate every special or emergency need, which would in future be dealt with by the social fund. Instead of the present small universal maternity and death grants, which had both remained at the same value for over 15 years, help would be available from the fund to all low-income families and not just those on supplementary benefit. The grant for funeral expenses would ensure

that the full cost could be met and the planned maternity grant would be set at about £75. Grants would also be given for community care purposes, for example to help someone leaving a long-stay hospital. In addition, the fund would provide loans to help claimants cope with items other than normal weekly needs.

Housing Benefit

The main structure of the Government's housing benefit proposals [concerning the reform of complicated procedures and an expensive and poorly-targeted system by the alignment of housing benefit with the new income-support scheme using the same rules to assess resources and levels of need] had been acknowledged as an important simplification of the scheme. In particular, treating employed and unemployed people alike, thus dispensing with the need for two separate systems, had been welcomed. In response to consultations, however, the Government intended to make two significant changes to the Green Paper proposals. First, in recognition of the anxieties expressed about the effect of a single taper [scale of assessment] for rent and rates [local property taxes raised to help finance local government expenditure] on owner-occupiers, particularly pensioners, and the concern of local authorities that it would create administrative difficulties, separate tapers for rent and rates would be retained. This would be a substantial simplification of the present system. Second, although the general power to run local housing benefit schemes would be ended, local authorities would retain their power to grant extra benefit to individual claimants in exceptional circumstances. They would also retain their power to give special treatment to war pensioners.

As had been made clear in the Green Paper, the Government believed that the basis on which help was provided with rates needed to be changed. Under the existing system, around 7 million householders received help with some or all of their rates bill, and up to 3 million householders paid no rates. The Government stood by the principle that everyone should make a contribution towards the cost of their local services and the White Paper accordingly reaffirmed the proposal that everyone should pay at least 20 per cent of their rates. Mr Fowler pointed out, however, that proposals to be made shortly on the reform of local taxation might affect the way this contribution was made.

Other Benefits

The Government would be carrying forward the proposals for directing widows' benefits to those who needed them most and for making maternity allowance more flexible and more closely related to recent work. The new lump-sum payment of £1,000 to widows would be tax-free and would be ignored when considering help with funeral expenses. It was proposed that maternity allowance, like statutory sick pay, should be paid through employers, and a consultation document would be published shortly.

Retirement Pensions

Referring to a report by the Government Actuary published with the White Paper, Mr Fowler said that if no action were taken on pensions, total costs would, in 1985 prices, increase from under £15,500 million to nearly £49,000 million [by 2033] if the basic pension was uprated in accordance with prices. If, as some urged, the basic pension was uprated in line with earnings, then the total pension cost would increase to nearly £73,000 million, which would require a national insurance contribution of 27½ per cent of earnings. The cost of the State Earnings-related Pension Scheme alone would increase from barely £200 million to £25,500 million. The Government could not ignore such a vast pensions bill, which was being handed down to future generations. In consultations a number of important organisations had recognised this case, but had argued that rather than totally replacing the scheme, the costs could be reduced by modifying its provisions.

In testing whether a policy of modifying the scheme would be acceptable, the Government had two major objectives: first, it wanted to see its future cost substantially reduced; and second, and even more fundamental, it wanted to see many more people with their own pension. It was on the basis that both of these objectives could be achieved, that the Government was prepared to change the proposals from those put forward in the Green Paper.

It was proposed to modify the scheme so that its cost in the next century could be afforded. The Government recognised the particular needs of those nearest retirement, and the changes would not affect anyone retiring nor anyone widowed this century. There would also be a transitional period, as the new scheme would come into effect fully in 2010. The basic pension would remain entirely unaffected by the proposals and its value would still be fully protected. The changes to the scheme were the following: occupational schemes contracted out of the state scheme should be responsible for inflation-proofing guaranteed minimum pensions up to 3 per cent a year; State Earnings-related Pensions should be based on a lifetime's earnings, not on the best 20 years as previously, but special protection would be built in for women who had breaks in work to bring up families and for those who became disabled and people looking after them; the pensions should be calculated on 20 per cent of earnings rather than 25 per cent; and widows and widowers over 65 should be allowed to inherit half their spouse's State Earnings-related Pension rights, rather than the full amount.

Policy on the State Earnings-related Pension Scheme, however, was only one part of the Government's pensions strategy, Mr Fowler emphasised, its central aim being to provide many more people with their own pension. The White Paper put forward a six-point plan to achieve this. First, a special incentive would be given to encourage the setting-up of new occupational pension schemes, which would consist of a reduction, or rebate, on national insurance contributions. An extra 2 per cent rebate to last for five years would be added to the existing rebate, making a total incentive of almost 8 per cent. Second, for the first time every employee would be able to take a personal pension whether or not his employer ran an occupational scheme. The holder of a personal pension would also receive the special national insurance incentive and his contributions would qualify for tax relief. Third, employers would for the first time be able to contract out of the state scheme by guaranteeing a level of contribution to an occupational scheme, rather than accept the unlimited liability of promising a 'final-

salary pension. The new arrangements would also open the way for more industry-wide schemes. The fourth part of the plan concerned building societies, banks and unit trusts, which would be able to provide personal pension savings schemes as well as group schemes. Fifth, all members of occupational pension schemes would in future have the right to pay additional voluntary contributions in order to boost their income in retirement, and sixth, people with personal pensions would be fully covered by the new investor protection arrangements to be made for all financial services (see pp 271-2,1985).

These changes built on top of the reforms introduced by the 1985 Social Security Act (see p 459, 1984) which protected the rights of early leavers. The White Paper proposed that this protection would be extended to all members of schemes leaving after two years rather than five years, and anyone changing jobs would be able to transfer all his rights into a personal pension.

Conclusion

Concluding his statement, Mr Fowler said that the effect of the proposals would be to direct substantially more help to low-income families with children and to provide more support for disabled people on low incomes. The Government would take new steps to increase the spread of occupational pensions and give everyone the right to have a personal pension. A simpler and more effective benefit structure would be provided with the aim of achieving a modern social security system directing help where it was most needed.

Opposition Views

Mr Michael Meacher, the official Opposition spokesman on health and social security, said that the Government had been forced to retreat from its most damaging proposals to reform the social security system, but that the revised package was much less about reform than about cuts representing around £750 million. Some 1·75 million more people would lose from the proposed changes than would gain, and 3·8 million households would lose benefit, including 2·25 million pensioners.

The Opposition condemned the emasculation of the State Earnings-related Pension Scheme which would mean a reduction of £12,000 million or almost 50 per cent in the value of pensions by the year 2033. The abolition of the best-20-years rule would gravely disadvantage all those who were prevented from achieving a full working life, including the long-term unemployed, mothers, the disabled, and the millions who cared for the sick and elderly. Furthermore, the proposal to calculate the pensions as only 20 per cent of earnings would leave millions of low-paid workers with inadequate pensions.

The proposed requirement that households, including pensioners and the poorest on supplementary benefit, should pay 20 per cent towards their rates bill, was unjustifiable, Mr Meacher said, and would force millions of claimants below the poverty line, making nonsense of the Government's claim to be targeting more help on the poorest.

The Liberal spokesman on social services, Mr Archy Kirkwood, said that the White Paper contained the same intrinsic flaws as the Green Paper in that it did nothing constructive to integrate the taxation and benefit systems; to establish modern, minimum standards-of-living requirements for those on benefit; or to remedy the financial plight of elderly pensioners who relied on supplementary pensions. Since some of the changes were not to be introduced until 1988, he called upon the Government to arrange all-party talks to try to reach a consensus on tax, pensions and benefits. In the absence of an agreement, the system was not likely to survive an election and financial uncertainty and administrative chaos would follow.

Shorter Notes

ADDITIONAL FUNDS FOR DRUG MISUSE SERVICES

In its response published in December to the House of Commons Social Services Select Committee report on services for drug misusers (see p 248, 1985) the Government announced an additional allocation of £5 million a year to regional health authorities in England from 1986-87. This will be used for developments in treatment and rehabilitation in the health service, local authority social services and the voluntary sector and it is intended that grants for particular projects will continue for ten years. The response points out that since the publication of the Select Committee's report in June 1985 a further £5·8 million has been allocated to the Central Funding Initiative to support new projects by health authorities and voluntary organisations. The fund was set up in April 1983 to finance local initiatives for up to three years and now stands at more than £17 million; over £12 million of this has been committed to 144 local projects in England [similar funds are available in Scotland and Wales]. The response acknowledges the major role played by the voluntary sector and says that many of the information and advice services and virtually all the residential rehabilitation facilities are provided by voluntary organisations. Some 40 per cent of funds allocated under the Central Funding Initiative go to voluntary projects and the Government is committed to long-term support of such national voluntary organisations as the Institute for the Study of Drug Dependence and the Standing Conference on Drug Abuse.

The Government has accepted the Select Committee's recommendation that a new drugs advisory service should be established and proposes to set up a service under the auspices of the Health Advisory Service to advise district health authorities on the development of facilities in their areas. Steps are to be taken to ensure that the *Guidelines to Good Clinical Practice in the Treatment of Drug Misuse* issued by the Chief Medical Officer of the Department of Health and Social Security to doctors, including psychiatrists, are available to all general practitioners and to final-year medical students. Consideration is also being given to additional courses for nurses in the treatment of drug dependency. With regard to training for teachers and youth workers a £2 million scheme is to begin in 1986-87 for local education authorities to appoint staff to promote and co-ordinate preventive work in their areas.

Sources: *Misuse of Drugs, with special reference to the treatment and rehabilitation of misusers of hard drugs*. Government response to the Fourth Report from the Social Services Committee, Session 1984-85. Cmnd 9685. HMSO, £2·80. ISBN 0 10 196850 7; Department of Health and Social Security press notice, 12.12.85.

FURTHER MEASURES TO CONTROL AIDS

Additional funds of £6·3 million to support health and preventive services to deal with the disease AIDS (Acquired Immune Deficiency Syndrome) have been announced.

Giving details of the new allocation on 2 December 1985, the Secretary of State for Social Services, Mr Norman Fowler, said that the Government regarded reduction of the rate of spread of the virus infection as a matter of very high priority and had already taken important steps to control the disease (see p 324, 1985). The funds were intended to support a package of measures designed to help those already infected and to reduce the number who became infected. A total of £2·5 million would be provided for a national information campaign to begin in the spring of 1986 and to run throughout the year. The aim of the campaign, which would be directed at the public in general and coupled with a series of targeted campaigns for those known to be at special risk, would be to improve understanding of the disease and the ways in which its spread could be controlled. Preliminary research and training for the campaign was already under way.

A further £2·5 million would be used to help the three regional health authorities in the London area expected to carry the heaviest burden of the disease to provide treatment and counselling services. The six haemophiliac reference centres in England would receive £270,000 to support the specialist counselling services which they had set up, and another £100,000 would be used for training professional staff in the counselling of AIDS sufferers. Courses of this type had already been set up at St Mary's Hospital, Paddington, and would continue along with new ones in Birmingham and Newcastle. Finally, £750,000 would be allocated to the Public Health Laboratory Service to continue its work in testing blood samples provided by the National Blood Transfusion Service or the National Health Service for the presence of the AIDS virus.

By the end of October 1985 241 cases had been reported in Britain of whom 134 have died. Three-quarters of the reported cases were in London.

Sources: *Hansard*, Vol 88, No 19, written answers, cols 1-2; Department of Health and Social Security press release, 2.12.85.

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